

UNNUMBERED LETTERS ISSUED FOR THE MONTH OF AUGUST 2004

Dated	Subject	Distribution
08-03-04	Fiscal Year 2002 Management Control Review of the Section 538 Guaranteed Rural Rental Housing Program	S/D
08-05-04	Central File Unit Open House	N.O.Employees
	Business and Industry Guaranteed Loan Program Moody's Financial Analyst Training	S/D
08-06-04	Financial Management Division Reviews Fiscal Year 2005	S/D
08-13-04	Administrative Budget Teleconference	S/D
	Administrative Budget Teleconference	N.O.Officials
08-19-04	Reminder of Tax Service Fee Increase for Fiscal Year (FY) 2005	S/D
08-23-04	Fiscal Year (FY) 2004 Year-end Closing Procedures for Obligating Administrative Expenses at the National Finance Center (NFC)	S/D
	Business Cards	S/D
	Nationwide State Internal Review Summary Report of Program and Administrative Weakness Trends	S/D
08-24-04	Transit Subsidy Distribution in September	N.O.Employees
08-26-04	Rural Business Enterprise Grant Program Television Demonstration Fiscal Year 2004 Funding Cycle Selections	S/D
	Rural Business Opportunity Grant Program National Office Reserve Fiscal Year 2004 Funding Selections	S/D
	Rural Business Enterprise Grant Program National Office Reserve Fiscal Year 2004	S/D

Dated	Subject	Distribution
08-27-04	Motor Vehicle Management	S/D
	Fiscal Year (FY) 2005 Budget Obligations for Leasing-Related Costs	S/D
	Interest Rate Changes for Housing Programs and Credit Sales (Nonprogram)	S/D, RDM, AD
08-31-04	Obligation of Section 502 Direct Loans Subject To Appraisal	S/D
	Type 60 Foundation Financial Information System	S/D

August 3, 2004

TO: All State Directors  
Rural Development

ATTN: Rural Rental Housing Program Directors

FROM: Russell T. Davis                    *(Signed by Russell T. Davis)*  
Administrator  
Rural Housing Service

SUBJECT: Fiscal Year 2002 Management Control Review of the  
Section 538 Guaranteed Rural Rental Housing Program

The National Office Multi-Family Housing Division and the Program Support Staff (PSS) jointly completed a comprehensive review of the Section 538 Guaranteed Rural Rental Housing Program (GRRHP) in Fiscal Year (FY) 2002. The review was conducted to determine: (1) compliance with laws and regulations that govern GRRHP and (2) actions to improve the program.

Attached for your review are selected concerns raised during the review about the administration of the program. We recognize that revisions are needed in the handbook, HB-1-3565, and the regulation, 7 CFR Part 3565, to further clarify and/or strengthen procedures. However, these revisions will take several months to develop for issuance. Attachment 1 includes specific recommendations in the final report of the review that this Unnumbered Letter (UL) addresses. PSS has developed some general guidance on these program shortcomings in Attachment 2. This guidance should be used when you provide training to appropriate staff in the State Office or field offices. Additional technical information and guidance was provided by PSS to State Architects at their meeting in Dallas, Texas in September 2002.

We appreciate the hard work and effort the state and field staff have put into the Section 538 Guaranteed Rural Rental Housing Program.

Deleted: ¶

EXPIRATION DATE: July 31, 2005

FILING INSTRUCTIONS:  
Housing Programs

The review indicated that the overall program is sound; however, improvements will make it more consistent, efficient, and equitable in every state.

Attachments

Selected concerns included in  
the Management Control Review Final Report as  
published April 16, 2003

17. Numerous deficiencies were found in the construction of projects in areas of general construction and accessibility for persons with disabilities. Responsibility for providing reviews and design/construction related items are not clear in the minds of field staff. The site selection and design was questionable on several sites.

Recommendation #17: State Offices need to be advised to provide information to borrowers and lenders on deficiencies in construction and accessibility. State Offices, lenders, and borrowers appeared unaware that projects receiving interest credit are receiving Federal financial assistance, and therefore subject to Section 504 of the Rehabilitation Act of 1973 and the accessibility requirements of the Uniform Federal Accessibility Standards (UFAS). The National Office Program Support Staff, working with MFH, will identify the deficiencies in construction and accessibility in an Unnumbered Letter (UL). In addition, training was provided to State Office staff at the MFH Policy Meeting in June 2002, in San Diego, CA. Likewise, training will be provided to State Office technical staff in September 2002, in Ft. Worth, TX.

*(This concern and recommendation appeared under the Control Objectives for State Office responsibilities. A similar concern and Recommendation #25 appeared under the Control Objectives for Lender responsibilities.)*

29. The site manager's office was not accessible to persons with disabilities at 75% of the sites that were visited by the Civil Rights Staff. The overall inaccessibility of complexes was also noted by the MFH and PSS team members.

Recommendation #29: Accessibility will be an agenda topic of the "planning meeting agenda" that is discussed in Recommendation #12 and will be addressed through a revision to the GRRHP Handbook. In addition, accessibility requirements will be included in the Unnumbered Letter that is discussed in Recommendation #17. This concern will be satisfied through the completion of Recommendations #12 and 17.

**NATIONAL OFFICE RESPONSIBILITIES:**

1. Maintain and update regulations.
2. Provide guidance on implementing program.
3. Provide guidance on construction standards.
4. Provide guidance on accessibility standards.
5. Provide tools and resources for implementing program.

**STATE OFFICE RESPONSIBILITIES:**

1. Hold a “Planning Meeting” prior to construction to discuss Agency requirements.
2. Review preliminary designs.
3. Review and concur in final plans and specifications.
4. Ensure buildings incorporate low maintenance materials, generally through a review of life cycle cost analysis.
5. Ensure accessibility for persons with disabilities.
6. Review and concur in Owner-Architect contracts.
7. Review and concur in Owner-Contractor contracts.
8. Participate in the Pre-Construction Conference.
9. Perform required inspections.
10. When guaranteeing construction financing, obtain Agency concurrence in change orders.
11. When guaranteeing only permanent financing, receive copy of “as built” drawings.
12. Ensure compliance with accepted standards for construction.
13. Provide adequate and timely training to field staff.
14. Include and maintain required documentation in construction and loan files.

## **LENDER RESPONSIBILITIES:**

1. Ensure that environmental requirements are met.  
  
Site selection must meet the requirements of RD Instruction 1940-G. The environmental process must be completed prior to the obligation of funds. The lender must further ensure that construction complies with Agency environmental guidelines and assessment. The borrower, architect, and contractor must implement mitigation measures of the Agency's environmental assessment prior to the final inspection. Due diligence per the Phase I Environmental Site Assessment must be provided by the lender. Design and construction must comply with the Agency Flood Insurance regulations.
2. Ensure that construction meets all local and state codes.
3. Ensure that the contractor has experience in similar MFH projects and the capacity to complete the project.
4. Ensure that the services of an architect or engineer licensed in state where project is located are provided by the borrower.
5. Ensure that luxury items not customary and reasonable for the area are not included in the project.
6. Provide a plan certification from the project architect to the Agency.
7. Ensure inspections are conducted per the handbook.  
  
Inspections are required prior to payments and at three required stages. The lender is required to notify and coordinate inspection times with the Agency. Agency personnel will attend all required inspections stipulated in the handbook. Documentation of inspections will be provided to the Agency by the lender.
8. Ensure that the contractor provides a one-year warranty on labor and materials.

## **BORROWER RESPONSIBILITIES:**

1. Attend the Pre-Construction Conference.
2. Employ the services of a professional architect or engineer licensed in the state where the project is located and provide a copy of the contract for Agency review and concurrence.
3. Employ the services of a general contractor with the capacity, financial stability, and required license and bonding certificates needed to complete the project. Execute a written contract with the general contractor for construction. Provide a copy of the contract for Agency review and concurrence.
4. Approve pay requests and change orders.

5. Attend the final inspection.
6. Provide to the Agency a written copy of their final acceptance of construction.
7. Provide a cost certification for the project.
8. After construction, properly maintain the property.

#### **DESIGN REVIEWS:**

1. Preliminary designs must be reviewed by the State Office Technical Representative.

The State Architect or person providing that function must review preliminary designs and comment on Agency requirements, accessibility, design, cost estimate, use of low maintenance materials, and other pertinent issues.

2. Final plans and specifications must be reviewed by the State Office Technical Representative.

The State Architect or person providing that function must review the final plans and specifications to ensure that Agency requirements and accessibility laws and standards have been met. Comments from the preliminary design review must have been adequately addressed in final designs. The Agency must concur in final plans and specifications, and all construction contract documents.

#### **CONSTRUCTION RELATED ISSUES:**

1. An Agency representative will attend the Pre-Construction Conference.
2. The Agency will perform required inspections at three stages of construction per the handbook.

On an “as needed” or “as available” basis, the Agency will participate in project inspections. At a minimum, the Agency will participate in the “footing”, “framing”, and “final” inspections.

3. When guaranteeing construction financing, the Agency will concur in change orders prior to the work being performed.
4. When guaranteeing only permanent financing, the Agency will be provided with a copy of “as-built” drawings.

## **ACCESSIBILITY ISSUES FOR GRRHP:**

1. Americans with Disabilities Act (ADA) and ADA Accessibility Guidelines (ADAAG):

The ADA applies to all “places of public accommodation.” For a GRRHP property, this would apply to the office. Whether the office is on-site or off-site, it must be accessible to persons with disabilities. If not, that is a form of discrimination. ADAAG requires a van accessible parking space, accessible parking, accessible route into the facility, etc. All requirements of ADAAG apply. The ADA applies to all “public” spaces whether or not the facility is financed by the Federal Government.

Some properties may have additional “public” areas on site. For example, a community room used for polling purposes, community meetings, or job training would be “public,” and must meet the accessibility requirements of ADAAG. For an elderly or congregate housing facility, a central dining area that serves outsiders as well as tenants and their guests would be “public,” and must meet the accessibility requirements of ADAAG.

2. Fair Housing Amendments Act (FHA) and FHA Accessibility Guideline:

The FHA applies to all buildings with four or more units in new construction projects. It is applied on a "building by building" basis. All ground floor units in those buildings, or all units in an elevator building, are “covered” units. All common areas must be accessible, all “covered” units must be on an accessible route, and all “covered” units must be adaptable. The FHA Accessibility Guidelines will require accessible parking, accessible routes to “covered” units and common areas, an accessible route through “covered” units, specific adaptable features in kitchens and baths, etc. All requirements of FHA Accessibility Guidelines apply. “Reasonable accommodation” requests must be considered, although costs are borne by the tenant. The FHA applies to all multifamily housing, whether or not the facility is financed by the Federal Government.

3. Section 504 of the Rehabilitation Act of 1973, Departmental Regulations at 7 CFR 15b, and Uniform Federal Accessibility Standards (UFAS):

These requirements apply to any “program” receiving Federal financial assistance. Provision of a loan guarantee alone does not invoke these requirements. Provision of “interest credit” is a form of Federal financial assistance and invokes these requirements. Those GRRHP properties with interest credit must provide accessible parking, an accessible route to all common areas, 5% of the units must be fully accessible, common areas must be fully accessible, minimum of one front loading washer, etc. All requirements of UFAS apply. “Reasonable accommodation” requests must be considered, and costs are borne by the property owner. Section 504 of the Rehabilitation Act of 1973, Departmental Regulations at 7 CFR 15b, and UFAS apply to all programs receiving Federal financial assistance.

In discussing process, design, and construction information with the applicant, the State Office staff will address the issue of accessibility, and clearly indicate which accessibility laws and standards apply. If the project will receive Federal financial assistance in the form of “interest credit,” the property must meet all three standards listed above. This information will be covered in the “Planning Meeting Agenda” section that is to be added to the handbook, HB-1-3565. Until that time, this UL attachment should be used to address Agency concerns with the lender and applicant.

## **DESIGN AND CONSTRUCTION ISSUES:**

### 1. Site selection

In several sites visited, the lot selected was a “flag lot,” with minimum street frontage. In such cases, the housing appeared to be constructed “behind” other facilities, as an afterthought. Street presence is a part of “curb appeal” and affects “marketability.” Although there is no prohibition against “flag lots,” adequate street frontage should be obtained whenever possible.

### 2. Site design

Three areas of site design were raised in the review: 1) Site grading was not sufficient to divert water away from buildings resulting in ponding in low lying areas. Often times, site elevations were left too high near buildings, not providing the minimum distance between finished grade and siding as specified in building codes; 2) Insufficient or poor landscaping was provided on some projects. A well landscaped facility provides good “curb appeal” and will affect “marketability;” and 3) Accessibility requirements of ADAAG, FHA Accessibility Guidelines, and UFAS (when appropriate) must be complied with. These issues are discussed earlier in this attachment.

These three areas of site design should be considered during the Agency review of plans and specifications. Follow up would occur during construction inspections to ensure construction complies with plans and specifications.

### 3. Building design

The one area of building design raised in the review was accessibility. In one property, the on site office was located on the second floor with no access for someone in a wheelchair. ADAAG requires on site offices be accessible, if provided. As noted earlier, in a number of properties with interest credit, the project did not comply with requirements of UFAS. Any program or project receiving Federal financial assistance must comply with UFAS.

August 4, 2004

SUBJECT: Central File Unit Open House

TO: All Rural Development National Office Employees

The Support Services Division (SSD) is responsible for the management of official records for Rural Development which includes housing records in the Central File Unit (CFU) in Washington, DC. SSD's goal is to create a CFU that will ensure official records are professionally maintained in an appropriate environment in accordance with regulatory and operational requirements. To help us move toward that goal, the CFU has relocated from room 0054 to room S316-B in the South Building. Room S316-B provides an upgraded environment that is better suited to records storage. This location also facilitates our meeting mandatory regulations concerning our inventory, holdings, and disposition of official records.

SSD is holding an open house in the new Central File Unit (S316-B) on August 18, 2004, from 2:00 p.m. – 4:00 p.m. Please mark your calendar and come see our new location. There will be a representative from the National Archives and Records Administration available along with records management handouts and light refreshments.

If you have any questions, please contact Andrea Jenkins on 202-692-0029.

*(Signed by Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

EXPIRATION DATE:  
August 31, 2004

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by electronic mail on 08-05-04 at 1:33 p.m. by SSD.

August 5, 2004

SUBJECT: Business and Industry Guaranteed Loan Program  
Moody's Financial Analyst Training

TO: State Directors, Rural Development

ATTN: Business Programs Managers

We are in the process of setting up five one-day training sessions on the Moody's Financial Analyst (MFA) software. The purpose of this unnumbered letter is to gauge your interest in sending one person from your State Office to attend MFA training. The proposed training would be at the Computer Training Room located at 501 School Street, S.W., Suite 200, Washington, D.C., and would be at your expense. The cost of the training would be approximately \$335 per person plus travel and lodging expenses. Due to size limitations of the training facility, we are unable to accommodate more than one person per State Office at this time. The training is tentatively scheduled for the week beginning September 20, 2004.

If you are interested, please contact Fred Kieferle by e-mail, [fred.kieferle@usda.gov](mailto:fred.kieferle@usda.gov), within the next 2 weeks to let us know if you are interested or not. We understand that these dates are near the end of the fiscal year, but those were the only dates that the training room and Moody's personnel were available at the same time.

If you have any questions, please contact the Business and Industry Division Processing Branch, (202) 690-4103.

*(Signed by Peter J. Thomas)*

PETER J. THOMAS  
Administrator  
Rural Business-Cooperative Service

EXPIRATION DATE:  
September 30, 2004

FILING INSTRUCTIONS:  
Community/Business Programs

August 6, 2004

**SUBJECT:** Financial Management Division Reviews  
Fiscal Year 2005

**TO:** All Rural Development State Directors

**ATTN:** Management Control Officers  
Administrative Program Directors

The Financial Management Division (FMD) has scheduled reviews of the state's management control program, collections, Federal Managers' Financial Integrity Act implementation, and the handling of audits, investigations, and hotline complaints. The reviews will be conducted by the FMD staff.

The states scheduled for on-site reviews in FY 2005 are as follows:

Delaware/Maryland	October 25-29, 2004
Kentucky	November 29-December 3, 2004
New Mexico	April 18-22, 2005
South Dakota	May 2-6, 2005
Vermont	May 16-20, 2005
Oregon	August 8-12, 2005
New York	September 12-16, 2005

Please note that these review dates are tentative and alternative dates may need to be selected to accommodate business-related commitments. FMD will notify each state approximately 60 days in advance of the scheduled on-site review with information related to the review. You will be informed of the individuals who will be conducting the review, the entrance and exit conference dates and times, and the files and information that will be reviewed. FMD will also request assistance with hotel information.

**EXPIRATION DATE:**  
July 30, 2005

**FILING INSTRUCTION:**  
Administrative/Other Programs

In addition to the on-site reviews listed above, FMD will also be conducting desk reviews in Washington, DC, of the following states in FY 2005:

Iowa	December 6-10, 2004
Massachusetts	January 10-14, 2005
Ohio	February 14-18, 2005

FMD will contact these states with the necessary arrangements to complete the desk reviews.

If you have any questions, please call John Purcell, FMD, at (202) 692-0080.

*(Signed Sherie Hinton Henry)*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Sent by electronic Mail 08-06-04 at 10:00a.m. by FMD.

August 13, 2004

SUBJECT: Administrative Budget Teleconference

TO: Rural Development State Directors

ATTN: Administrative Program Directors

A teleconference has been scheduled for **Tuesday, August 24, 2004, from 2:00 p.m. to 3:30 p.m. EST**. To connect to the teleconference, please call **202-554-1742**. The access code is 4936 followed by the pound (#) sign. A limited number of lines have been made available for this call, so please maximize the number of employees calling from each location.

The purpose of the teleconference is to discuss issues related to the FY 2004 administrative budget and year-end close issues. All State personnel who perform work on administrative budgets and/or FFIS area are encouraged to participate.

If you have issues that you would like to have addressed, please send your **requests no later than COB Thursday, August 19, 2004**, to [deborah.watt@usda.gov](mailto:deborah.watt@usda.gov). Issues relating to FFIS may be sent to the Fiscal Control Branch at [fcf@stl.rural.usda.gov](mailto:fcf@stl.rural.usda.gov). Due to time constraints, we may not be able to address specific questions regarding your State that do not pertain to the mission area as a whole.

Please call Deborah Watt at 202-692-0124 if you have any questions regarding the teleconference.

*(Signed by Carla Szasz) (for)*

DEBORAH B. LAWRENCE  
Director  
Budget Division

Attachment

EXPIRATION DATE:  
August 31, 2004

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by Electronic Mail on 08-17-04 at 1:30 p.m. by BD.

**RURAL DEVELOPMENT  
BUDGET DIVISION  
TELECONFERENCE**

**AGENDA**

**PARTICIPANTS:**

- Budget
- FCB
- SMB
- States

**ANNOUNCEMENTS:**

**ISSUES:**

**E-MAIL RESPONSES** (that impacts mission area)

**ROLL CALL / QUESTIONS**

August 13, 2004

SUBJECT: Administrative Budget Teleconference

TO: National Office Officials

A teleconference has been scheduled for **Wednesday, August 25, 2004, from 10:00 a.m. to 11:30 a.m. EST**. The Teleconference Center in **Room 1605-S** has been reserved for use by employees in the South Building and the Whitten Building in Washington, DC. Only employees at other locations may dial into the teleconference by calling **202-554-1742**. The access code is 4936 followed by the (#) sign. A limited number of lines have been made available, so employees are urged to maximize the number of employees calling from each location to ensure access for everyone who wants to attend.

The purpose of the teleconference is to discuss issues related to the FY 2004 administrative budget and year-end close issues. All National Office personnel who perform work on administrative budgets and/or FFIS are encouraged to participate.

If you have issues that you would like to have addressed, please send your requests **no later than COB Friday, August 20, 2004**, to Deborah Watt at [deborah.watt@usda.gov](mailto:deborah.watt@usda.gov). Issues relating to FFIS may be sent to the Fiscal Control Branch at [fcf@stl.rural.usda.gov](mailto:fcf@stl.rural.usda.gov). Due to time constraints, we may not be able to address specific questions regarding your area that do not pertain to the mission area as a whole.

Please call Deborah Watt at 202-692-0124 if you have any questions regarding the teleconference.

*(Signed by Carla Szasz) for*

DEBORAH B. LAWRENCE  
Director  
Budget Division

Attachment

EXPIRATION DATE:  
August 31, 2004

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by Electronic Mail on 08-17-04 at 1:25 p.m. by BD.

**RURAL DEVELOPMENT  
BUDGET DIVISION  
TELECONFERENCE**

**AGENDA**

**PARTICIPANTS:**

- Budget
- FCB

**ANNOUNCEMENTS:**

**ISSUES:**

**E-MAIL RESPONSES** (that impacts mission area)

**ROLL CALL / QUESTIONS**

August 19, 2004

TO: All State Directors  
Rural Development

ATTENTION: Single Family Housing Program Directors

FROM: David J. Villano (Signed by Jean Leavitt) for  
Deputy Administrator  
Single Family Housing

SUBJECT: Reminder of Tax Service Fee Increase for Fiscal Year (FY) 2005

The purpose of this memorandum is to remind the States of the increase in the tax service fee for FY 2005. The applicable tax service fee for the period of October 1, 2004, through September 30, 2005, is \$107 as outlined in HB-1-3550, Attachment 7-B.

Since the GFE and Closing Item Default screens are maintained at the field office level, the field office staff will be responsible for updating the default amount for the tax service fee following the attached instructions. The update must be performed on October 1, 2004.

If you have any questions regarding this memorandum, please contact Brooke Baumann of the Single Family Housing Direct Loan Division at (202) 690-4250.

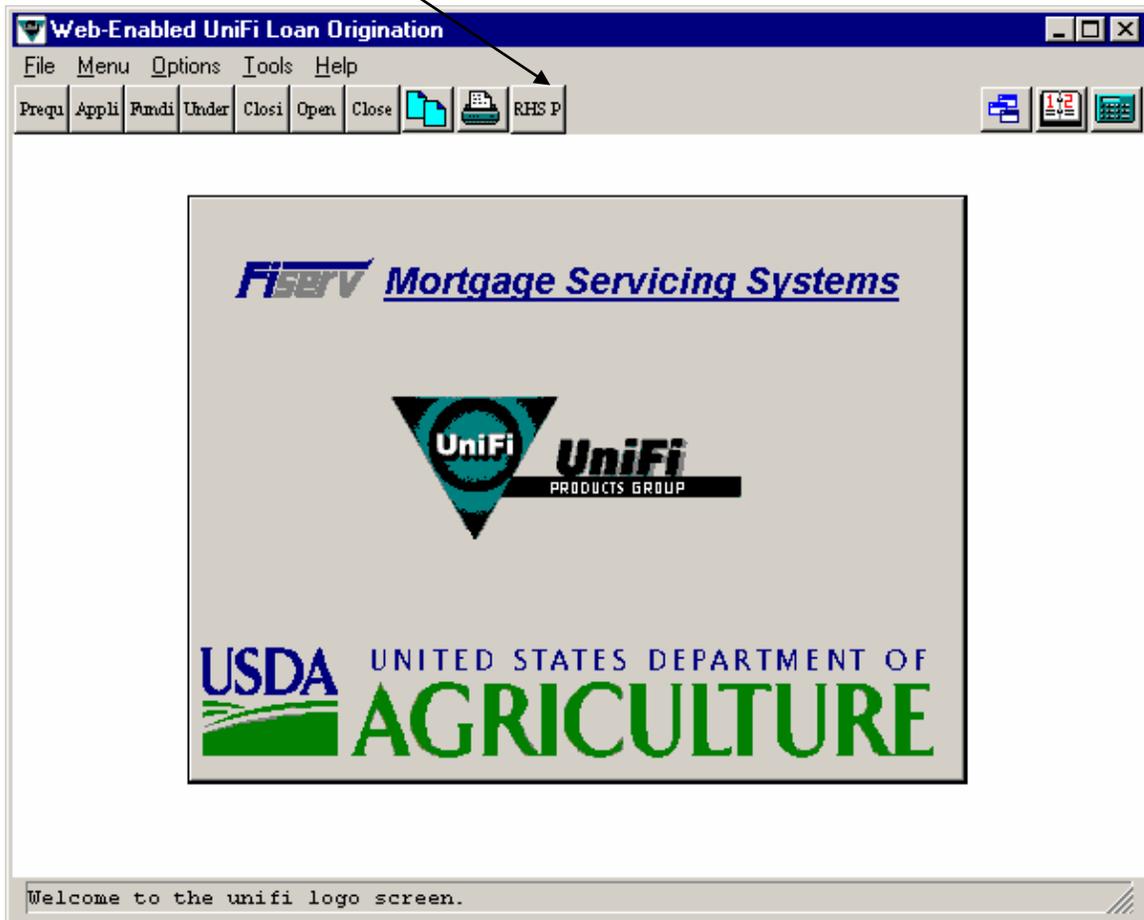
Attachment

EXPIRATION DATE:  
August 31, 2005

FILING INSTRUCTIONS:  
Housing Programs

Users can change the GFE Item Defaults with proper access to the UniFi parameters. **Changes will only impact new applications entered into the system after the change has been made. The default amounts for existing applications will remain unchanged.**

In order to make the changes outlined in these instructions the UniFi Splash screen must have an RHS P box as shown below.



To change the GFE Item Defaults, select Menu then RHS Parameters/Field Office then GFE Item Defaults. This will bring up the GFE Group Item Default Parameter screen, shown below. Click to highlight the line with Real Estate Tax Service as the description. Then click on the Edit Pen and the amount field will be available for input.

**Web-Enabled UniFi Loan Origination**

File Edit Menu Options Tools Help

**GFE Group Item Defaults Parameter**

Brch	Group	Description	Line	Typ	Description	Std#
36032	01	RHS Good Faith	0803		Appraisal Fee	00
			0804		Credit Report	00
			0805		Inspection Fee	00
			0807		Assump/Refin Fee	00
			0810		Real Estate Tax Service	00
			0903		Hazard Insur Prem	00
			1101		Settle/Close Fee	00

Group: 01 | RHS Good Faith | Amount: 95.00

HUD Line /Type: 0810 | Description: Real Estate Tax Service | Active dflt:  | Percent: 00.000

Standard Item Number: 00 | Round Up/Down: No Rounding

Prefill at start default | Round to Nearest: 000.00

Pd Outside of Closing(POC): No | Estimated Cost Flag: Yes

Item to be paid by: see CLCst Pd E | Branch: 36032

FASB Cost |  Reg Z Fee

Active Date: 06/20/1996 | DLA: 11/11/1996

Effective 10/1/04 the amount will go from \$104 to \$107.

Use:  Sales Price

Enter data or press ESC to end.

Go to the amount field and enter the new default amount (\$107). Then click on the SAVE icon to save the change.

**GFE Group Item Defaults Parameter**

Brch	Group	Description	Line	Typ	Description	Std#
36032	01	RHS Good Faith	0803		Appraisal Fee	00
			0804		Credit Report	00
			0805		Inspection Fee	00
			0807		Assump/Refin Fee	00
			0810		Real Estate Tax Service	00
			0903		Hazard Insur Prem	00
			1101		Settle/Close Fee	00

<b>Group</b>	01	RHS Good Faith	<b>Amount</b>	101.00
<b>HUD Line /Type</b>	0810	Real Estate Tax Service	<b>Percent</b>	00.000
<b>Standard Item Number</b>	00		<b>Use:</b>	Loan Amount
<input checked="" type="checkbox"/> <b>Prefill at start default</b>			<b>Round Up/Down</b>	No Rounding
<b>Pd Outside of Closing(POC)</b>	No		<b>Round to Nearest</b>	000.00
<b>Item to be paid by</b>	see CLCst Pd E		<b>Estimated Cost Flag</b>	Yes
<input type="checkbox"/> <b>FASB Cost</b>		<input checked="" type="checkbox"/> <b>Reg Z Fee</b>	<b>Branch</b>	36032
<b>Active Date</b>	06/20/1996	<b>DLA</b>		11/11/1996

Amount

The GFE Item default amount is now changed for all new applications.

To change the Closing Item Default Screen, follow the above steps with the exception of accessing the screen to be changed. To get to the Closing Item Default Screen, simply arrow forward to the next screen if you are on the GFE Group Item Defaults Parameter screen or select Menu then RHS Parameters/Field Office then Closing Item Defaults then Item Defaults and perform the steps above for changing.

August 23, 2004

SUBJECT: Fiscal Year (FY) 2004 Year-end Closing Procedures for Obligating  
Administrative Expenses at the National Finance Center (NFC)

TO: Rural Development State Directors  
Rural Development National Office Officials

ATTN: Administrative Program Directors

This memorandum covers the procedures for establishing obligations for administrative expenses under the Foundation Financial Information System (FFIS) prior to the end of fiscal year 2004. It is the responsibility of each office to complete their year-end estimates online in FFIS. In order to provide accurate year-end estimates as well as reporting valid obligations, it is imperative that you begin your FFIS review process immediately. This review process will be explained to FFIS users at the FFIS Year-end Teleconferences on August 24-25, 2004 and September 14-15, 2004, and is provided below. **While performing the review process, keep in mind that all obligations must be processed in FFIS by COB September 26, 2004. Any obligations subsequent to September 26, 2004, should be entered directly into FFIS as a year-end estimate by COB September 27, 2004.**

## I. REVIEW SUSF

- Review and process all rejected documents on SUSF
- Process all purchase order (PRCH) and TRVL rejects
- Delete any rejected user input documents

Note – The PRCH, property (PROP), purchase card management system (PCMS) and TRVL Feeder Systems will continue to process obligations through the nightly cycle of September 23, 2004. FFIS users must review and process all rejects by September 26, 2004.

## II. REVIEW OPEN COMMITMENTS

- Run Open Commitments Brio Report
- Review report for accuracy
- Cancel/Modify RQ's as needed

Note – Print your last Open Commitments Report on the BOB September 27, 2004. This report will be needed to provide year-end estimates.

EXPIRATION DATE:  
September 30, 2004

FILING INSTRUCTIONS:  
Administrative/Other Programs

### **III. REVIEW OPEN OBLIGATIONS**

- Run Open Obligations Brio Report
- Review report for accuracy
- Cancel/Modify MO's or TG's as needed
- Amend/Cancel purchase orders through PRCH
- Amend/Cancel Travel Authorizations through TRVL

Note - Run and Review your Open Obligations Report on BOB September 27, 2004. This report will be needed to provide year-end estimates. Run your last Open Obligations Report on September 30, 2004.

### **IV. REVIEW DETAILED TRANSACTION REGISTER**

- Run Detailed Transaction Register Brio Report
- Review report for accuracy
- Correct any discrepancies

Note – Run and review your last Detailed Transaction Register Report on September 26, 2004.

### **V. SUBMIT TRANSFERS AND ADJUSTMENTS**

Complete all transfers and adjustments (B2 documents) and e-mail the document number(s) to Fiscal Control Branch (FCB) for approval by COB September 23, 2004.

### **VI. REQUEST FOR REIMBURSEMENTS**

Internet Billing (IBIL) should be processed by noon September 23, 2004. After September 23, 2004, any reimbursement estimate that has not been billed will be reduced.

### **VII. ESTABLISH YEAR-END (YE) ESTIMATES**

Upon completion of the FFIS review process, each office needs to establish year-end estimates to cover obligations that have not processed through the feeder system by COB September 27, 2004. Year-end estimates include all valid commitments from the Open Commitments Report and all obligations for PRCH, Motor Pool (MPOL), PCMS and TRVL not listed on the Open Obligations Report. Year-end estimates should also include all cash awards and lump sum leave payments that apply to the current fiscal year that will not process by pay period (PP) 18. Ensure that these obligations are not already recorded on the Detail Transaction Register and have not already been accounted for on the Open Commitments Report.

In order to process your year-end estimate, complete a YE transaction in FFIS. In September, FCB will send new instructions on completing YE documents. Year-end documents must be completed by COB Monday, September 27, 2004. **Remember** – NFC will generate estimates for federal telecommunications system payment (FTSP), telephone vendor system (TELE), utility vendor system (UTVN), and salaries and benefits for employees on the payroll in PP 17.

On September 28, 2004, FCB will review and accept year-end estimates into FFIS. On September 30, 2004, the Budget Division and Finance Office will conduct a final, comprehensive review of the Status of Funds Reports for the mission area to ensure that no accounts are antideficient.

## **SALARIES AND BENEFITS**

Regular payroll costs are chargeable to the fiscal year in which the salary is earned. Lump sum payments are chargeable to the fiscal year in which the date of separation occurs; and cash awards are chargeable to the fiscal year in which the award is approved.

Obligation estimates for PP 19 that occur in FY 2004 will be computed by NFC. The basis for these estimates will be 90 percent of the actual PP 17 costs. **Reminder - Year-end estimates should be submitted for employees not on the payroll in PP 17.**

1. Accounting Entered on T&A Form AD-321, PC-TARE Screen, or System for Time and Attendance Reporting (STAR).
  - a. Timekeepers who normally enter the full accounting classification code on each T&A must prepare a single T&A for PP 19 to distribute the time and pay status to the correct fiscal year by using the appropriate accounting data.
  - b. Due to the fiscal year-end distribution of payroll accounting between FY 2004 and FY 2005 in PP 19, Code 1 (to store accounting) cannot be used in the accounting Data Usage Code block in PP 19. Payroll accounting can be stored beginning PP 20 for the new fiscal year.

2. Stored Accounting Concept

NFC will convert stored accounting for PP 20 by changing the first digit of the appropriation code of all stored accounting classification codes from “4” to “5”. The following procedures should be followed during PP 20. Employees using stored accounting should follow the procedures in Item 2a. Employees for whom the stored accounting is to be changed for FY 2005 should follow the procedures described in Item 2b.

- a. Use Stored Accounting – To use stored accounting data for PP 20, prepare a single T&A with a “2” in the accounting data usage block. The FY 2005 code charged will be the FY 2004 code with the first digit of the program code changed from “4” to “5.”
- b. Override the Stored Accounting – To override the stored accounting for PP 20, prepare a single T&A distributing time and pay status to the appropriate accounting classification. To change the stored accounting for FY 2005, insert the appropriate coding on each T&A for PP 20 with a “1” in the accounting data usage block.

Please call your administrative budget liaison in the Budget Division (see attachment) if you have any questions regarding these procedures or any other part of this request.

*(Signed by Thomas E. Hannah) for*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Attachment

Sent by Electronic Mail on 08-23-04 at 4:55 p.m. by BD.

**CONTACT LIST**  
**BUDGET DIVISION/ADMINISTRATIVE PROGRAMS BRANCH**

**Rural Utilities Service – Headquarters**

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(Includes CSC)

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Rural Business-Cooperative Service – Headquarters

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BUDGET DIVISION FAX 202-692-0126 **OR** 202-692-0300

August 23, 2004

SUBJECT: Business Cards

TO: Rural Development State Directors  
National Office Officials

ATTN: Administrative Program Directors

Due to the new marketing roll-out that introduced a new logo, the request for business cards has increased substantially. It is important to remember that State Offices may order business cards for members of their staff as long as they utilize their own funds. The National Office may obtain business cards for Branch Chiefs and above and each program area will now need to utilize their own funding for the cards.

When ordering business cards, there is a standard template for business cards that must be followed. The template can be found at:

<http://teamrd.usda.gov/rd/lapas/materials/20261%20Business%20Card%20FINAL.pdf>.

All National Office business card orders must be sent through the Support Services Division for processing. You can speed up the process by using a business card ordering form that has been designed by the Legislative and Public Affairs Staff. The order form can be found at: [http://teamrd.usda.gov/rd/lapas/materials/bcard\\_order%204\\_29\\_04.doc](http://teamrd.usda.gov/rd/lapas/materials/bcard_order%204_29_04.doc).

You may also print business cards from your computer. The template can be found at: [http://teamrd.usda.gov/rd/lapas/materials/businesscard%206\\_18\\_04.doc](http://teamrd.usda.gov/rd/lapas/materials/businesscard%206_18_04.doc).

If you have any questions regarding the template, please contact the Legislative and Public Affairs Staff on 202-690-0498. If you have any questions regarding the actual ordering of the business cards, please contact the Support Services Division on 202-692-0010.

*(Signed by Thomas Hannah) for*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

EXPIRATION DATE:  
August 31, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by electronic mail on August 24, 2004 at 7:43 am by SSD.

August 23, 2004

**SUBJECT:** Nationwide State Internal Review Summary Report of Program  
and Administrative Weakness Trends

**TO:** Rural Development State Directors  
Rural Development National Office Officials

**ATTN:** All State Program Directors and  
Management Control Officers

The Financial Management Division is providing the Fiscal Year (FY) 2003 Nationwide State Internal Review (SIR) Summary Report for your information as it reflects the most common weaknesses identified throughout Rural Development. During FY 2003, SIRs and Mini-SIRs were conducted in 45 of the 47 States. Attached to this Nationwide SIR Summary Report is a listing of significant trends of weaknesses for Rural Development Administrative and Program areas. Please note that the benchmark used to determine if a nationwide weakness trend exists was if the weakness occurred in at least 20 percent of the States.

In comparison with the FY 2002 Nationwide SIR Summary Report's trends of weaknesses, there are 2 new trends (indicated by an asterisk) and 55 recurring trends. The FY 2002 Nationwide SIR Summary Report had a total of 66 trends, and the attached listing has only 57. Of the 55 recurring trends, 33 had reduced percentages of occurrence.

I hope the information contained in the report will be beneficial when determining whether your current management controls are effective in reducing and eliminating vulnerability to loss of Agency resources. This list may also be utilized as a tool in determining training needs.

**EXPIRATION DATE:**  
September 30, 2005

**FILING INSTRUCTIONS:**  
Administrative/Other Programs

Your commitment to a strong and effective management control system is greatly appreciated.

*(Signed by THOMAS E. HANNAH) FOR*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

Attachment

Sent by Electronic Mail on 8-23-04 at 2:45p.m. EDT by FMD.  
The State Director should advise other personnel as appropriate.

**FISCAL YEAR 2003 REVIEWS  
SIGNIFICANT TRENDS OF WEAKNESSES**

**ADMINISTRATIVE WEAKNESSES**

**Financial Management**

**Collections -**

**Safeguarding Collections (33%)**

Including:

- Payments/Paperwork not kept in a safe as required
- Collections not documented properly (either no documentation, incomplete documentation to appropriate forms, or not processed in a timely manner)
- Collection reviews not being completed as required

**Processing Collections (53%)**

Including:

- Collection register/logs not properly maintained/noted
- Checks/Payments not processed in a timely manner
- Forms RD 1951-49 and RD 1951-60 are not completed, prepared correctly, or are missing information

**Separation of Duties (40%)**

Including:

- No established separation of collection duties
- Duties are not rotated at least semiannually
- Forms RD 1951-49 and RD 1951-60 are not reviewed and initialed by an employee other than the employee who prepared the form
- Supervisor not reviewing collection duties as required

**File Maintenance (38%)**

Including:

- Operational and collection files are not properly maintained and/or reviewed
- Files not locked in safe or fireproof cabinet

## **ADMINISTRATIVE WEAKNESSES**

### **Financial Management (continued)**

#### **Interim Financed Loans/Supervised Bank Accounts (SBAs) (51%)**

Including:

- SBA records are not being maintained according to procedures
- SBAs remained open for extended periods of time without adequate justification in files
- Bank statements and cancelled checks are maintained in borrower files/not returned to borrowers
- Accounts with \$100 or less or paid-in-full accounts are not closed promptly
- Form 402-2 not maintained properly

### **Office Management and Administrative Services**

#### **Records, Forms, and Directives Control Procedures (53%)**

Including:

- "Loss to Government" and "Closed Case" files are not properly labeled and maintained
- Operational and other files not established or maintained in accordance with Rural Development Instructions
- Records management not completed in accordance with RD Instruction 2033-A

#### **Area/Local Office Management System (33%)**

Including:

- Folders/files not arranged properly, not up to date, misfiled materials, or loose materials
- Closed cases, rejected, and withdrawn file not disposed of in a timely manner
- Procedure manuals not maintained
- Operational, procedure, and other files not established and/or maintained in accordance with RD Instruction 2033-A
- Multi-Family Information Tracking System (MFIS) is not properly maintained

#### **Other Reports and Servicing Actions (33%)**

Including:

- The 504 Loan/Grant Borrower list is not maintained
- Incomplete or missing comparable sales records

## **ADMINISTRATIVE WEAKNESSES**

### **Office Management and Administrative Services (continued)**

#### **Office Equipment (31%)**

Including:

- Property reports, inventory, and/or operational files not completed
- Excess/unserviceable property not removed

#### **Travel (42%)**

Including:

- Travel vouchers completed incorrectly
- Travel vouchers not submitted timely
- Travel files not properly maintained

### **Human Resources and Training**

#### **Review of Personnel Materials (51%)**

Including:

- Individual development plans not developed or complete
- Overtime/comp-time not approved
- Identification cards not provided
- Position description not provided or is inaccurate
- Emergency response plan is nonexistent or is out of date

#### **Time and Attendance Reports (T&A) (58%)**

Including:

- T&A forms are not completed properly (signed by supervisor, initialed by employee or timekeeper, clock hours absent, etc.)
- Supervisor/employee not aware of when an employee is entitled to overtime

## **ADMINISTRATIVE WEAKNESSES (continued)**

### **Information Resources Management**

#### **Information Technology (IT) Security and Management (62%)**

Including:

- Smoke detectors not installed
- Fire extinguisher not present, inappropriately placed, or out of date and employees not trained in the use of fire extinguishers
- Backup procedures not being followed
- Security training not completed
- Computer terminals can be viewed by the public (inappropriate location of terminals)
- Equipment used for unauthorized purposes, unauthorized software

### **Procurement**

#### **Management of the Procurement Activity (31%)**

Including:

- Files/Forms incomplete and/or filed improperly

#### **\*Management of the Noncontractual Activity (29%)**

Including:

- Noncontractual files not closed properly
- Signatures and/or stamps (date, etc.) missing from noncontractual documents

### **Civil Rights**

#### **Accessibility (Rural Development Offices) –**

##### **Parking (44%)**

Including:

- Parking space violations - no designated space, no visible handicap sign or inadequate signage, sign to low, route from space to building not safe (i.e. spaces not designed to ensure that disabled persons are not compelled to wheel or walk behind parked cars), access aisles not marked or done improperly, space improperly located, handicap parking spaces not properly maintained, spaces not the proper width, and/or no van accessible space

## **ADMINISTRATIVE WEAKNESSES**

### **Civil Rights**

#### **Accessibility (Rural Development Offices) (continued) –**

##### **Ramps, Pathways, Entrance (36%)**

Including:

- Doors not equipped with lever handles
- Access ramps too steep, located in incorrect location, or not provided
- Signage missing

##### **Interior (office space layout and location) (40%)**

Including:

- Restrooms not accessible to persons with disabilities (i.e. missing lever handles, pipes/drains not insulated, sink or toilet height too high or low, Braille signage missing)
- Office space is not in compliance with Section 504

#### **Local/Area Office Review - Program Compliance Responsibilities**

##### **General (49%)**

Including:

- List that identifies minority leaders and organizations in the area is not available
- Non-discrimination statement omitted on brochures, promotional material, letters, etc.

##### **Public Notification (49%)**

Including:

- Outreach lacking or nonexistent
- Minority leaders and organizations not identified

##### **Direct Assistance - Program Delivery (27%)**

Including:

- Rejection letters did not advise the applicant that disputes over the accuracy of the credit report must be resolved with the credit bureau, specific accounts were not identified, or did not provide the source of the credit report
- Eligibility not sent within required 30-day time limit

## **ADMINISTRATIVE WEAKNESSES**

### **Civil Rights**

#### **Local/Area Office Review - Program Compliance Responsibilities (continued)**

##### **Compliance with Fair Housing Act (24%)**

Including:

- Fair housing posters not posted
- Affirmative Fair Housing Marketing Plan (AFHMP) not being reviewed, modified, or approved as required

##### **Compliance with Equal Credit Opportunity Act (ECOA) (53%)**

Including:

- Applicants not notified within 30 days
- ECOA notice missing from letters

##### **Compliance Review Requirements (29%)**

Including:

- Compliance reviews not completed in accordance with regulations (reviews not completed on schedule, forms not properly completed, incomplete, etc.)
- Self evaluation plans not completed or received

##### **Compliance with Section 504 (Federally Assisted) (36%)**

Including:

- Transition plans and self-evaluation plans missing or incomplete
- Facilities not fully accessible (employees not ensuring accessibility during compliance reviews)

##### **Multi-Family Housing (MFH) – Compliance Requirements (22%)**

Including:

- Compliance reviews incomplete or not completed

## **PROGRAM WEAKNESSES**

### **Environmental**

#### **Office Management and Organization (33%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (required forms, attachments, and checklists; orientation guide; lead-based paint notice/certification; site visit reports; transaction screen questionnaire (TSQ), etc.)

#### **NEPA Compliance (60%)**

Including:

- Environmental reviews not conducted at all, completed improperly, or not completed prior to loan approval or obligation of funds
- FEMA Form 81-93, "Standard Flood Hazard Determination," not completed for assumptions
- Categorical exclusions not elevated to Class 1 when appropriate
- Environmental mitigation measures not always specified in the Letter of Conditions (LOC)
- LOC issued before the public notice process was complete
- Public notice process not implemented properly
- Projects not evaluated according to procedures
- Floodplains, wetlands, and important farmlands not always identified
- Finding of No Significant Impact (FONSI) not properly prepared or executed
- State Historic Preservation Officer (SHPO) not contacted for properties over 50 years old
- Flood certification not completed or completed after loan approval
- TSQ and/or categorical exclusion form not completed prior to sale or lease of Real Estate Owned (REO) property
- Required coordination/consultation requirements with other agencies are not fulfilled for projects that may impact environmental resources
- Applicants not notified when the project is located in a floodplain

## **PROGRAM WEAKNESSES**

### **Environmental (continued)**

#### **Management of Hazardous Substances (29%)**

Including:

- Hazardous waste/lead-based paint reviews not being done or done improperly
- Lead based paint assessment (compliance key) not always completed or documented in files
- Files show lack of "Due Diligence"
- Clearance test not completed after removal of lead-based paint

#### **WEP Environmental - NEPA Compliance (29%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (required forms, attachments, and checklists; orientation guide; lead-based paint notice/certification; TSQ; Civil Rights Impact Analysis; etc.)
- Environmental reviews not conducted at all, completed improperly, or not completed prior to loan approval or obligation of funds
- FONSI not properly prepared or executed
- LOC issued before FONSI expired
- Environmental mitigation measures not documented
- Public notices not published or not published properly

## **PROGRAM WEAKNESSES (continued)**

### **Community Facilities**

#### **Pre-application and Application Processing (Direct & Guaranteed) (38%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (processing conferences, project summary, Statement for Loan Guarantees, etc.)
- Inspections and monitoring not always completed or documented
- Processing conference with applicants not always held or documented
- Checklist not always provided to applicants
- Review of Credit Alert Interactive Voice Response System (CAIVRS) and suspension and debarment list not done or documented as required
- Plans and specifications not reviewed/approved by State engineer/architect
- Required lender notification timeframes not met
- Tracking systems not maintained properly
- Documents for State Office review not sent timely

#### **Loan and Grant Processing and Closing (Direct) (31%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (required forms, approval of accounting/financial reporting system/auditors agreements/construction contracts, proof of insurance, fidelity bonding, etc.)
- Conferences not always held and/or documented
- "District Director's Report" not completed first year of new operations
- Audit and management reports and annual budgets/financing statements are not received and reviewed in a timely manner
- Pre-final/Final inspections not conducted and/or documented
- Files not submitted for State Office review timely
- Reserve accounts not monitored properly
- Tracking systems not maintained properly
- Closing documents are not properly prepared

## **PROGRAM WEAKNESSES**

### **Community Facilities (continued)**

#### **Loan and Grant Servicing (Direct) (40%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (current audit, management and inspections reports; financing statements; current contracts; etc.)
- Required reports, reviews, and inspections not completed timely or properly completed
- Audit and management reports and annual budgets/financing statements are not received and reviewed in a timely manner
- Tracking systems not maintained properly
- Construction progress and use of funds not monitored or monitored improperly

### **Multi-Family Housing**

#### **Application Processing (22%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (Required exhibits, reports, forms, and attachments; eligibility/feasibility determinations; borrower contributions; bidding; inspections; credit reports; contracts; checklists; etc.)
- Loans not processed properly
- Processing checklist not used/completed properly
- Review of suspension and debarment list not documented
- Lien waivers not always provided prior to payout
- MFIS not maintained properly

#### **Management and Servicing -**

##### **\*Security Servicing (22%)**

Including:

- MFIS not maintained properly
- Inadequate or no current insurance coverage documented
- Expired financing statements
- Project accounts not always set up in accordance to the Loan Agreement
- Identity of Interest Disclosures not updated timely
- Servicing and follow-up letters not sent or not sent timely

## **PROGRAM WEAKNESSES**

### **Multi-Family Housing**

#### **Management and Servicing (continued) -**

##### **Budgets, Audits, and Financial Data (31%)**

Including:

- Budget/Audit/Year End Report not received or are not timely
- Budgets do not reflect expenses for capital improvement described in transition plan
- Quarterly reports not documented in file
- No monitoring of operating and maintenance expenses
- Rules of Occupancy and Energy Audits not approved, dated, and current
- MFIS not maintained properly/timely
- MFIS reports not used appropriately
- Follow-up not timely or no follow-up when required forms are not submitted
- Reviews not conducted timely
- Borrowers not notified of review results

##### **Supervision of Project Manager (47%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, poorly processed, or not current (management plans and agreements, energy audits, utility allowance, rules of occupancy, accessibility evaluations, identity of interest disclosure, leases, etc.)
- Reviews, visits, and inspections not completed and/or documented as required
- Borrower notification not timely
- Action/follow-up on servicing issues not timely
- Reviews of workout plans not conducted as required
- Budgets were not submitted and/or approved as required
- Budgets did not include capital expenditures for accessibility
- Borrower's procedure for maintaining a waiting list not reviewed
- MFIS not maintained properly/timely
- MFIS reports not used appropriately

## **PROGRAM WEAKNESSES**

### **Multi-Family Housing**

#### **Management and Servicing (continued) -**

##### **Management (27%)**

Including:

- Action/follow-up on servicing issues not timely
- Visits, reviews, annual walk-about not completed timely
- MFIS not maintained properly/timely
- MFIS reports not used appropriately
- Reserve accounts not processed properly/timely
- Borrower's account not classified correctly

##### **Housing Preservation Grants (22%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (eligibility, ranking, OGC review, Affirmative Fair Housing Marketing Plan (AFHMP), inspection/performance reports, compliance reviews, etc.)
- No approved AFHMP
- Compliance reviews not done
- Action/follow-up on servicing issues not timely
- Grantees not submitting reports timely
- Quarterly performance reports not reviewed
- Audits to confirm expenditures not obtained and forwarded to State Office

## **PROGRAM WEAKNESSES**

### **Single Family Housing (Direct)**

#### **Application Processing (78%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (eligibility determination, credit elsewhere, applications, appraisals, contracts, surveys, promissory note, credit report, budgets/financial statements, compliance reviews, etc.)
- Applications not date stamped when received
- CAIVRS not checked and/or documented
- Application completed date not entered on Form RD 410-4
- No follow-up performed when necessary
- Applications not reviewed for completeness within required timeframe
- Required inspections/reviews/visits not performed as required and/or documented
- Priority processing procedures not followed
- Documents or appeal rights not provided to applicant within required timeframes
- Required applicant notification incorrect and/or not sent timely
- Eligibility not determined timely
- Checklist not utilized, checked, or dated
- Low loan/grant activity
- UniFi not used or maintained properly/timely
- No or low outreach efforts and efforts not documented
- Form RD 3550-1 not submitted for each adult member of the household
- No documentation that leveraged loan was considered
- No or low leveraged loan activity
- Current handbook letters/attachments not used/sent as required
- Credit history worksheet not used properly and/or consistently to evaluate credit history

## **PROGRAM WEAKNESSES**

### **Single Family Housing (Direct)**

#### **Application Processing (continued) -**

##### **Credit (42%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (credit elsewhere, credit reports, credit history worksheet, etc.)
- CAIVRS review not performed as required or documented
- Check of FASTeller cross reference screen not performed as required and/or documented
- Rental history not verified
- Credit history worksheet not used properly and/or consistently to evaluate credit history
- Credit analysis not conducted properly
- Approved adverse credit exceptions/waivers not justified and/or documented

##### **Income/Repayment Ability (49%)**

Including:

- Credit history worksheet not used properly and/or consistently to evaluate credit history
- Annual, repayment, and/or adjusted incomes not verified, calculated, and/or documented properly
- Income not re-verified prior to loan closing
- UniFi not used or maintained properly/timely

## **PROGRAM WEAKNESSES**

### **Single Family Housing (Direct)**

#### **Application Processing (continued) -**

##### **Other Eligibility Factors (44%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (eligibility summary, rental history, credit elsewhere, credit reports, credit history worksheet, etc.)
- Running record not developed and maintained as required
- UniFi not used or maintained properly/timely
- Rental history not verified
- Eligibility not determined timely
- Certificate of eligibility not processed properly
- Current handbook letters/attachments not used/sent as required
- Review of suspension/debarment and non-procurement list not conducted as required and/or documented
- Eligibility summary not always prepared properly, signed, and/or documented in files
- No documentation of unable to obtain credit elsewhere or legal capacity
- No documentation that present dwelling is inadequate for the household=s needs
- Leveraging not properly considered and documented
- Required applicant notification incorrect and/or not sent timely

## **PROGRAM WEAKNESSES**

### **Single Family Housing (Direct)**

#### **Application Processing (continued) -**

##### **General (73%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (eligibility determination/summary, loan commitment, compliance statement, checklist, builder warranties, truth in lending, final title policies, etc.)
- Running record not developed and maintained as required
- Pre-eligibility/eligibility not determined timely
- Certificate of eligibility not processed properly
- Required applicant notification incorrect, not sent timely, and/or documented
- Current handbook letters/attachments not used/sent as required
- UniFi not used or maintained properly/timely
- CAIVRS review not performed as required or documented
- Priority processing procedures not followed
- Appropriate appeal/mediation rights not provided
- Review of suspension/debarment and non-procurement list not conducted as required and/or documented
- No documentation that present dwelling is inadequate for the household=s needs
- No documentation of unable to obtain credit elsewhere or legal capacity
- Eligibility summary not always prepared properly, signed, and/or documented in files
- Mortgage Loan Commitments not issued properly and/or timely

##### **UniFi (40%)**

Including:

- UniFi not used or maintained properly/timely
- Missing information in 504 borrower and grant list
- Application complete/certification of eligibility date not always entered
- Expense screen not properly completed
- Applicant's/Borrower's home and/or daytime phone number not entered
- Registration screen not properly entered/incorrect data
- Eligibility summaries not properly completed
- Worksheet screen not properly completed/incorrect data

## **PROGRAM WEAKNESSES**

### **Single Family Housing (Direct)**

#### **Application Processing (continued) -**

##### **Section 504 Loans/Grants (62%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (credit report, appraisal, need for repairs, UniFi screens, budget/financial statements, worksheets, grant agreements, proof of ownership, value of property, etc.)
- Assets not properly verified
- No appraisal or estimated market value/property value established
- Current handbook letters/attachments not used/sent as required
- Taxes and insurance not escrowed when required
- Required inspections/reviews/visits not performed as required and/or documented
- Applications not reviewed for completeness within required timeframe
- Not maintaining 504 loan/grant recipient list
- Eligibility not determined correctly and/or timely
- UniFi not maintained properly/timely
- Applicant Orientation Guide not used as required
- CAIVRS review not performed as required or documented
- Needed repairs not determined when required
- Lifetime assistance limit not verified or documented
- Inaccurate term of loans/grants
- Funds used for unauthorized purposes

## **PROGRAM WEAKNESSES**

### **Single Family Housing (Direct) (continued)**

#### **Loan Processing & Closing –**

##### **Loan Closing Issues (67%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (leveraged note/deeds of trust, lien waivers, mortgage loan commitment, insurance, eligibility determination/summary, truth in lending, checklists, etc.)
- Value of property not established
- Notice of Right to Cancel not documented as required
- U.S. Treasury checks not negotiated/canceled timely
- Mortgage loan commitments not issued properly/timely
- Review of suspension/debarment and non-procurement list not conducted as required and/or documented
- UniFi not maintained properly/timely
- Current handbook letters/attachments not used/sent as required
- Loans not closed properly or timely
- Documents not received from closing agents timely
- Applicant Orientation Guide not used as required
- Appropriate conditions are not included on mortgage loan commitments
- Applicant notifications not sent timely and/or documented
- Escrow not computed correctly
- Verification of Employment over 90 days old at closing
- Mortgage not properly completed/recorded
- Changes to promissory notes not processed as required

##### **Security (36%)**

Including:

- Title Insurance and/or Title Opinion missing or incomplete (i.e. missing survey)
- Subsidy repayment not properly completed
- Appraisal review not completed as required and/or documented
- U.S. Treasury checks not negotiated/canceled timely
- Loan exceeds security value
- Mortgages not properly completed and/or recorded when required

## **PROGRAM WEAKNESSES**

### **Single Family Housing (Direct)**

#### **Loan Processing & Closing (continued) –**

##### **Construction/Repair Loans (67%)**

Including:

- Pre-construction conferences not held or documented
- Site visits not conducted as required
- Construction complaints/defects not properly documented
- Contract change orders not completed when required
- RD Guide Letter 1924-1, "Construction Defects," not sent timely
- Notice of financed contract (\$10,000 or over) not properly completed and sent to the Department of Labor
- Development/repair plans, bids, costs, and specifications are not signed as required, missing, inaccurate, or incomplete
- Builders warranty not completed properly and retained
- EEO procedures not properly followed (display of posters, completion of Forms RD 400-1/400-3/400-6, etc.)
- Release of claimants not obtained
- Plans and specifications not properly certified
- SBAs not properly monitored
- Construction contracts not used or completed properly

##### **Property Requirements (36%)**

Including:

- Checklist for New or Existing Property (Attachments 5-A/5-B) not completed/documented
- Surveys not documented, not obtained, or are incomplete
- Certifications missing (thermal, electrical, structural soundness, etc.)
- Inspections, reviews, and visits are not conducted as required and/or not documented
- No evidence that site complies with the property requirement

## **PROGRAM WEAKNESSES**

### **Single Family Housing (Direct) (continued)**

#### **Real Estate Owned (REO) Property -**

##### **Management (29%)**

Including:

- Files not properly established and maintained
- TSQ not completed as required
- REOs not listed, sold, maintained, etc. according to procedures
  - Not promptly and appropriately evaluated and prepared for disposition
  - Environmental review not completed
  - Real estate taxes not properly handled
  - Maintenance not prompt and effective
  - Property not secured

##### **Disposition (22%)**

Including:

- Sale of REOs not timely
- Sale not closed timely
- Exclusive realtors list outdated
- For sale sign not on property or property not advertised
- Price reductions not properly conducted or documented
- Open houses and advertisements not conducted as required
- Listings do not include required information
- Acceptable purchase offers not considered timely

## **PROGRAM WEAKNESSES (continued)**

### **GUARANTEED SINGLE FAMILY HOUSING**

#### **Guarantee Request Processing (47%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (applications, lender agreement, ratio waiver request, underwriter analysis, inspections, warranties, appraisal approvals, request for guarantee, etc.)
- Applications not date stamped when received
- Guaranteed Rural Housing (GRH) checklist not followed or fully completed
- Lack of effective outreach efforts
- Low GRH loan volume
- Underwriting approval not obtained prior to obligation
- Applications and lender loan documentation not reviewed timely
- Conditional commitment not prepared properly or issued as required/timely
- Lender notification timeframe not met
- Guaranteed Loan System (GLS) not maintained properly/timely
- CAIVRS review not performed as required or documented
- Loan summary/review not performed as required
- Income limits not calculated as required
- Denied applicants not notified of appeal rights

#### **Loan Note Guarantee Processing and Closing (47%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (income calculations, thermal certification, inspections, warranties, appraisal approvals, etc.)
- Conditional commitments/loan note guarantees not issued as required and/or timely
- Closing Reports not always completed properly and/or documented
- GLS not maintained properly/timely
- Required inspections/reviews not performed timely and/or documented
- GRH fee not submitted timely
- Requesting unnecessary information/material

## **PROGRAM WEAKNESSES**

### **WATER AND WASTE**

#### **Application Processing (22%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (eligibility/feasibility determination, credit elsewhere, debarment/suspension list reviews, processing conferences, project summary, engineer's analysis, etc.)
- Outreach not adequate
- Rural Community Facility Tracking System (RCFTS) not maintained properly/timely
- CAIVRS review not performed as required or documented
- Required timeframes not met

#### **Loan and Grant Processing and Closing (33%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (operating budgets; grant determinations; letters of condition; annual audits; contracts; other funding sources; insurance; debarment/suspension list reviews; approvals of resident inspector qualification, accounting and financial reporting systems, auditors agreements; etc.)
- Inspections/reviews not performed timely and/or documented
- Review of suspension/debarment list not conducted as required and/or documented
- Processing conference checklist not utilized and/or documented
- Project funds not monitored properly
- RCFTS not maintained properly/timely
- Follow-up/monitoring not adequate

## **PROGRAM WEAKNESSES**

### **WATER AND WASTE (continued)**

#### **Loan Servicing (40%)**

Including:

- Files not properly established and maintained. Documentation in files is misplaced, missing, or poorly processed (fidelity bond, audited financial statements, approvals of resident inspector qualification, reports, etc.)
- Required reports/audits not completed/obtained timely
- Inspections/reviews/visits not performed timely or always documented
- Insurance and bonding information not current
- RCFTS not maintained properly/timely
- Project funds not monitored properly
- No follow-up performed when necessary
- Borrower not notified of reporting requirement waiver

August 24, 2004

SUBJECT: Transit Subsidy Distribution in September

TO: Rural Development National Office Employees  
Washington, DC only

The quarterly transit distribution for October through December has been scheduled for August 31 through September 9, 2004. This is a reminder that any fare media received at this distribution cannot be used until October 1, 2004. Please ensure that you do not use the fare media you receive at this distribution before October 1, 2004. Otherwise, you will be violating the law and regulations set forth for the Transit Program and this could result in disciplinary action.

If you have any questions, please contact Judy Steer at 692-0012.

*(Signed by Thomas E. Hannah) for*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

EXPIRATION DATE:  
August 31, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

August 26, 2004

SUBJECT: Rural Business Enterprise Grant Program  
Television Demonstration  
Fiscal Year 2004 Funding Cycle Selections

TO: State Directors, Rural Development

ATTN: Business Programs Directors

We have recently completed the Television Demonstration Grant funding cycle. There were five requests received for funds totaling \$1,988,200 million. We are pleased to announce that all requests were selected for funding. They are as follows:

State	Applicant	Amount Awarded
OR	Oregon Public Broadcasting	\$397,640
ME	Maine Public Broadcasting Corporation	\$397,640
AK	Alaska Public Broadcasting Service	\$397,640
ND	Prairie Public Broadcasting, Inc.	\$397,640
VT	Vermont, Inc. dba Vermont Public Television	\$397,640
	Total	\$1,988,200

This completes the Television Demonstration funding cycle established in RD Instruction 1940-L. Projects selected under the Television Demonstration Grant Program should be obligated with a type of assistance code 155.

*(Signed by William F. Hagy, III)*

WILLIAM F. HAGY III  
Deputy Administrator  
Business Programs

EXPIRATION DATE:  
September 30, 2004

FILING INSTRUCTIONS:  
Community/Business Programs

August 26, 2004

**SUBJECT:** Rural Business Enterprise Grant Program  
National Office Reserve  
Fiscal Year 2004

**TO:** State Directors, Rural Development

**ATTN:** Business Programs Directors

We have recently completed the National Office Reserve funding cycle. The National Office received 75 requests totaling \$11,089,473. We are pleased to announce that 54 of the requests were selected for funding with a reduction of award amount on one project. They are as follows:

<b>State</b>	<b>Applicant</b>	<b>Amount Awarded</b>
GA	City of Richland	\$99,999
ND	Cavalier County Job Development Authority	\$98,000
ME	Town of Lubec	\$99,500
MI	Renaissance Development Fund	\$99,500
UT	San Juan Foundation	\$99,900
SD	Philip Chamber of Commerce, Inc.	\$99,000
VT	Lamoille Economic Development Corporation (LEDC)	\$97,178
WI	University of Wisconsin – Stout	\$99,500
NE	Central Nebraska Economic Development District	\$50,000
IA	Franklin County Development Association	\$90,000
VA	City of Martinsville	\$500,000
MN	City of Goodridge	\$150,000
ID	Custer County	\$35,000
FL	TEAM Santa Rosa	\$50,000
MD	Adventure Sports Center, Inc.	\$150,000
HI	Lokahi Pacific	\$55,700
OH	Portsmouth Murals, Inc.	\$200,000
MS	Natchez-Adams County Economic Development Authority	\$99,000

**EXPIRATION DATE:**  
September 30, 2004

**FILING INSTRUCTIONS:**  
Community/Business Programs

<b>State</b>	<b>Applicant</b>	<b>Amount Awarded</b>
WA	Spokane Area Economic Development Council	\$50,000
CA	City of Orange Cove	\$77,000
NJ	Atlantic Cape Community College	\$75,000
PA	Pennsylvania Farm Link, Inc.	\$40,000
MT	Kootenai River Development Council, Inc.	\$40,659
MO	City of Wayland	\$99,900
TN	University of Tennessee Center for Profitable Agriculture	\$261,345
OK	Freedom West Community Development Corporation	\$97,000
NC	Robeson Enterprise Community Development Corp. Inc.	\$450,000
MA	Cape & Islands Community Development, Inc.	\$50,000
IL	Southern Illinois Investment Company, Inc.	\$99,000
IN	Madison Area Chamber of Commerce Foundation	\$400,000
NH	North Country Resource Conservation and Development	\$155,440
PR	ASDA (San Sebastian Farmers Market)	\$1,130,000
CO	Rocky Mountain Farmers Union Educational and Charitable Foundation	\$62,400
WV	Upper Kanawha Valley Economic Development Corp.	\$195,000
TX	City of Granjeno	\$90,000
SC	South Carolina Manufacturing Extension Partnership	\$185,000
KY	Southern Kentucky Economic Development Corp.	\$90,000
NM	The City of Gallup	\$300,000
AK	UAA Small Business Development Center	\$80,000
NV	Mineral County Development Corporation	\$38,000
CT	Town of Stonington	\$72,985
MI	Shiawassee Regional Chamber of Commerce	\$99,900
NE	Northeast Nebraska Economic Development District	\$62,000
SD	Badlands South Central Enterprise Facilitation	\$42,000
IA	Osceola County Economic Development	\$99,000
ME	The Maine Highlands Corporation	\$46,000
VA	City of Martinsville	\$99,900
ID	Washington County	\$25,000
VT	Country Riders Snowmobile Club, Inc.	\$70,022
ND	North Dakota State University	\$98,175
WI	Revitalize Gillett, Inc.	\$13,550
WA	Spokane Tribe of Indians	\$200,000
MT	Gallatin Development Corporation, Inc.	\$17,300
CA	The Business Resource Group	\$92,276
	<b>Total</b>	<b>\$7,276,129</b>

This completely depletes the National Office Reserve account for fiscal year 2004. All projects must have an obligation date of no later than September 30, 2004. Thank you for your continued support in administering the Rural Business Enterprise Grant Program.

*(Signed by William F. Hagy, III)*

WILLIAM F. HAGY III  
Deputy Administrator  
Business Programs

August 26, 2004

SUBJECT: Rural Business Opportunity Grant Program  
National Office Reserve  
Fiscal Year 2004 Funding Selections

TO: State Directors, Rural Development

ATTN: Business Programs Directors

We have recently completed the funding cycle for the National Office Reserve. There were 95 requests for funds totaling \$4,976,669. We are pleased to announce that 24 requests were selected for a funding total of \$1,354,519 (see attached).

All applications remaining on the National Office Reserve list will be removed. Your efforts and continued support for the Rural Business Opportunity Grant Program is appreciated.

*(Signed by William F. Hagy, III)*

WILLIAM F. HAGY III  
Deputy Administrator  
Business Programs

Attachment

EXPIRATION DATE:  
August 31, 2005

FILING INSTRUCTIONS:  
Community/Business Programs

**Rural Business Opportunity Grant Program**  
Fiscal Year 2004 National Office Reserve Funding Selections

<b>State</b>	<b>Applicant</b>	<b>Amount Awarded</b>
CA	Sierra Economic Development District	\$49,000
FL	Holmes County Development Commission	\$27,500
GA	Georgia Tech Research Corporation	\$50,000
GA	Community Foundation of Chattahoochee Valley, Inc.	\$150,000
IA	Limestone Bluffs RC&D Area, Inc.	\$43,355
ID	Clearwater Economic Development Association, Inc.	\$48,874
ID	Boise State University	\$115,900
IN	Perry County Chamber of Commerce	\$47,000
ME	City of Brewer	\$50,000
MN	Northwest Community Action Agency	\$50,000
MO	Texas County Technical Institute	\$50,000
MT	State of Montana/Governor's Economic Opportunity Office	\$25,000
NC	Yadkin-Pee Dee Lakes Project, Inc.	\$50,000
ND	Dakota Heartland Champion Community	\$14,990
NE	Southeast Nebraska Development District	\$49,000
NH	Northern Community Investment Corporation	\$34,900
NY	City of Oswego	\$50,000
OK	Plains Grains, Inc.	\$50,000
SD	Planning and Development District III	\$50,000
TN	Southeast Local Development Corporation	\$150,000
VA	Southwest Virginia Workforce Investment Board	\$50,000
VT	Northeastern Vermont Development Association, Inc.	\$50,000
WA	Stone Soup	\$50,000
WI	Heart of Wisconsin Community Incubator, Inc.	\$49,000
	Total	\$1,354,519.00

August 27, 2004

SUBJECT: Motor Vehicle Management

TO: Rural Development State Directors

ATTN: Administrative Programs Directors

During Fiscal Year 2004, a Management Control Review was conducted in selected states to review, evaluate and detect any weaknesses or inefficiencies in the Fleet Management Program. One of the weaknesses identified was the lack of Alternative Fuel Vehicles (AFVs). The Rural Development fleet contains approximately 10% AFVs. We need to increase the number of AFVs in our fleet.

Since Rural Development is fully participating in the General Services Administration leased vehicle program and to address this weakness in our program, you are strongly encouraged to specify AFVs when requesting additional vehicles or when replacement vehicles are obtained. According to the Department, not all states have alternative fuel stations. To assist you in developing your request, state by state locations for alternative fuel stations can be found on the internet at [www.e85fuel.com](http://www.e85fuel.com) (click on refueling locations).

Should you have any questions concerning this matter, please contact Sam Ward on 202-692-0021 or e-mail at [sam.ward@usda.gov](mailto:sam.ward@usda.gov).

*(Signed by Thomas Hannah) for*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

EXPIRATION DATE:  
August 31, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by electronic mail on 08-31-04 at 2:00 p.m. by SSD.

August 27, 2004

SUBJECT: Fiscal Year (FY) 2005 Budget Obligations for Leasing-Related Costs

TO: All Rural Development State Directors

ATTN: Administrative Programs Directors  
Budget/Leasing Personnel

Fiscal Year (FY) 2005 leasing-related obligations should be established where another United States Department of Agriculture (USDA) agency is the lead for Rural Development as soon as funding is made available. The Space Management Branch will establish all obligations for State Office space and health agreements.

If Rural Development will operate under a continuing resolution (CR) and a full month's obligation is available, you must obligate the leasing-related expenses to coincide with the CR, until full funding is approved.

The Farm Service Agency (FSA) Finance Office in Kansas City will submit bills monthly and require that the Miscellaneous Order document numbers be noted on each bill. Due to the delay in receiving funding in October, FSA will issue the October and November billings simultaneously.

If you have any questions, please contact Ernestine Kelly in the Space Management Branch at 314-335-8458.

*(Signed by Thomas E. Hannah) for*

SHERIE HINTON HENRY  
Deputy Administrator  
for Operations and Management

EXPIRATION DATE:  
August 31, 2005

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent by electronic mail on 08-30-04 at 11:55 a.m. by AAPAS.

August 27, 2004

**SUBJECT:** Interest Rate Changes for Housing Programs  
and Credit Sales (Nonprogram)

**TO:** Rural Development State Directors,  
Rural Development Managers,  
and Area Directors

**ATTN:** Rural Housing Program Director

The following interest rates, effective September 1, 2004, are changed as follows:

<b><u>Loan Type</u></b>	<b><u>Existing Rate</u></b>	<b><u>New Rate</u></b>
<b>ALL LOAN TYPES</b>		
Treasury Judgement Rate	2.160%	2.160%

The current rate shown above is as of the week ending July 30, 2004. The actual judgement rate that will be used will be the rate for the calendar week preceding the date the defendant becomes liable for interest. This rate may be found by going to the Federal Reserve web site for the weekly average 1-year CMT yield ([www.federalreserve.gov/releases/h15/data/wf/tcm1y.txt](http://www.federalreserve.gov/releases/h15/data/wf/tcm1y.txt)).

**RURAL HOUSING LOANS**

Rural Housing (RH) 502 Low or Moderate	6.375	6.375
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**EXPIRATION DATE:**  
September 30, 2004

**FILING INSTRUCTIONS:**  
Administrative/Other Programs

Single Family Housing (SFH) Nonprogram	6.875	6.875
Rural Housing Site (RH-524), Non-Self-Help	6.375	6.375
Rural Rental Housing and Rural Cooperative Housing	6.375	6.375

Please notify appropriate personnel of these rates.

*(Signed by Russell T. Davis)*

RUSSELL T. DAVIS  
Administrator  
Rural Housing Service

Sent by Electronic Mail on 08-24-04 at 3:00 p.m. by PAD.

August 31, 2004

TO: State Directors  
Rural Development

ATTENTION: Single Family Housing Program Directors

FROM: David J. Villano *(Signed by David J. Villano)*  
Deputy Administrator  
Single Family Housing

SUBJECT: Obligation of Section 502 Direct Loans Subject To Appraisal

This unnumbered letter grants you the temporary authorization to approve and obligate (these actions should coincide) Section 502 direct loans for both low and very low-income applicants subject to the completion of an acceptable appraisal. This authorization will be in effect from the date of this letter through September 30, 2004.

When obligating Section 502 direct loans without an appraisal, Form RD 3550-7, "Mortgage Loan Commitment", must contain the following language under the "Additional Required Items or Conditions" on page 2 for the applicant's review and acceptance by signature:

"This commitment is contingent upon USDA, Rural Development obtaining an acceptable appraisal that adequately secures the loan and meets the requirements of 7 CFR Part 3550, Section 3550.62."

**This authorization only applies to transactions where the applicant has been determined eligible, a signed purchase agreement or complete construction package has been submitted, and the appraisal has been ordered.** Before closing the loan, the appraisal must be obtained and reviewed in accordance with 7 CFR Part 3550.

EXPIRATION DATE:  
September 30, 2004

FILING INSTRUCTIONS:  
Housing Programs

State Directors are responsible for maintaining a record of all loans obligated subject to an appraisal during this authorization period. State Directors are also responsible for conducting post reviews to ensure that the transactions met the outlined criteria and that acceptable appraisals were completed within a reasonable amount of time after the obligation and prior to loan closing.

If you have any questions regarding this memorandum, please contact Brooke Baumann of the Single Family Housing Direct Loan Division at (202) 690-4250.

August 31, 2004

TO: Rural Development  
State Directors

ATTN: Program Loan Cost Coordinators  
Housing Program Directors  
Contract Program Managers

FROM: Russell T. Davis (Signed by Russell T. Davis)  
Administrator  
Rural Housing Service

SUBJECT: Type 60 Foundation Financial Information System

Effective October 1, 2004, all Program Loan Cost Expense (PLCE) funds will be allocated and obligated using the Foundation Financial Information System (FFIS). The existing Purchase Order System located at the National Finance Center will be concurrently retired at that time. Use of FFIS for PLCE funds control will greatly enhance our ability to accurately and efficiently report the status of PLCE funds. Direct entry of PLCE obligations by the users of the new system will save processing time, and result in a significant decrease in penalty interest payments. There are several requirements for implementing PLCEs on FFIS which are currently being addressed, and many of you are already involved with preparations to implement the new system. Program Loan Cost coordinators in each State will continue in their roles as contact points for funding requests, non-contractual obligations, and funds tracking. As the new system is rolled out, they will also provide a critical communication role assuring that the system is updated accurately and any problems encountered are reported to the Finance Office.

EXPIRATION DATE:  
December 31, 2004

FILING INSTRUCTIONS:  
Administrative/Other Programs

Sent via electronic mail on 09-01-04 at 11:35 a.m. by PSS. State Director should advise other personnel as appropriate.

The initial phase of the new system calls for two users in each State to enter, update and coordinate their State's non-contractual expenses on the system. States' Contract Program Managers will be responsible for the accurate entry of their States' contractual PLCE transactions. A series of NetMeetings for Contract Program Managers and Program Loan Cost coordinators have been scheduled by the Human Resources Training Division for September 2004, to orient users to the new system.

A draft set of Program Authority Code (PAC) spreadsheets for use with the new system has been posted on the Rural Development intranet. You can access these spreadsheets through a link on the Program Support Staff web page. You will note that there are less PACs available to use with the new system.

Your cooperation in assisting us roll out this system is greatly appreciated. Please contact Carl Muhlbauer, Program Support Staff, at (202) 690-2141, if you have any questions concerning this memorandum or the new process. Specific questions pertaining to the new system should be directed to Cindy Haas, Finance Office, at (314) 457-4121.